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**VIA ELECTRONIC FILING**

Jocelyn G. Boyd, Esquire  
Chief Clerk & Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210

Re: Application of Duke Energy Carolinas, LLC for Approval of Rider 3  
**Docket No. 2011-420-E**

Dear Ms. Boyd:

On February 15, 2012 the Public Service Commission of South Carolina ("the Commission") issued a Directive with questions for Duke Energy Carolinas, LLC ("the Company") and the South Carolina Office of Regulatory Staff ("ORS") to address. ORS's responses are below.

1. Please describe the entities involved in performing EM&V functions for the Company, both internal and third-party. (*Company and ORS*)

**Response:** The Company contracted with third-parties for EM&V activities. The primary consultant utilized by the Company is TecMarket Works of Oregon, Wisconsin. TecMarket Works is a nationally recognized firm with many years of experience in EM&V across the country. In performing EM&V activities for the Company, TecMarket often subcontracts portions of the work assignments to BuildingMetrics, Inc., Integral Analytics, Inc. and Yinsight, Inc.

2. Please identify the independent third party consultant hired by ORS to provide independent oversight of the save-a-watt program. Additionally, please describe the

activities and resulting conclusions of this oversight mechanism. Please explain how the Commission will be informed of the results of the consultant's reviews. (*ORS*)

**Response:** The consultant hired by ORS is Mr. George Evans of Evans Power Consulting, Inc. His activities and resulting conclusions are set forth in the ORS report filed with the Commission on January 10, 2012 in this Docket. ORS intends to continue filing responsive reports to the Company's annual DSM/EE rider adjustment setting forth the conclusions of ORS and Mr. Evans. Mr. Evans is also assisting ORS in reviewing other DSM/EE programs.

3. Please describe how the EM&V activities led by the Company interact with the independent oversight provided by the ORS independent consultant. Does responsibility for the EM&V activities and results, as required in the Settlement Agreement, lie with the Company, ORS, or both? Please explain. (*Company and ORS*)

**Response:** The responsibility for the EM&V activities and results lie with the Company. The ORS consultant's responsibilities are to review and evaluate the EM&V activities and results, and to recommend modifications and/or adjustments, as appropriate.

4. The Company stated in its Application at Paragraph 17 that this mid-term true-up "incorporates the most recent available EM&V results." The environmental comments stated on page 4 that "this application does not have any EM&V applied to it." Please explain. (*Company and ORS*)

**Response:** As described in the "Mid-Term True-Up" section on pages 3 and 4 of the ORS report dated January 10, 2012, ORS concluded that the Company did not fully incorporate the most recent available EM&V results. The Company conducted a participation true up, *i.e.* it compared the projected Vintage 1 results to results that are based on actual Vintage 1 participation, but did not conduct a load impact true up, *i.e.* it did not include the kW and kWh impacts from the EM&V process in the mid-term true-up. The Company has committed to revise the mid-term true-up to reflect kW and kWh impacts from the EM&V process in its Vintage 4 filing.

Based on discussions with Environmental Intervenors, ORS understands that their comment "this application does not have any EM&V applied to it" referred to the lack of load impacts being used to replace the initial program load impact estimates that were used at the time of filing. As discussed above, ORS concluded that the Company did not include a load impact true-up in its mid-term true-up, but has committed to doing so in the Vintage 4 filing. However, the Company did apply EM&V results to the prospective computations used to develop the requested riders. That is, in estimating the impacts of the programs in future periods, the Company used the kW and kWh impacts from the EM&V process.

The Company, ORS and the Environmental Intervenors agree on both the EM&V process and the applicability of the EM&V results that will be used going forward to “true-up” energy efficiency programs for all vintages.

5. Please explain whether or not the results of any EM&V were described in the Vintage 3 application? If so:
  - a. Please specifically provide where such description is located.
  - b. Please explain whether or not the results have been verified by a third party.*(Company and ORS)*

**Response:** Descriptions of the results of the EM&V process were provided by the Company in Confidential Exhibit C to its filing in this docket. Complete EM&V reports were provided to ORS upon request during its review of the Company’s filing. ORS and Mr. Evans reviewed and verified the full EM&V reports provided by the Company.

6. Please describe why the identification of actual kW or kWh savings for Vintage 1 has been delayed? How confident are you that they will be available by the Vintage 4 filing?  
*(Company and ORS)*

**Response:** The identification of actual kW and kWh savings for Vintage 1 was completed for several save-a-watt programs in 2011. However, as described above, the Company only applied the actual kW and kWh savings prospectively in this filing. ORS expects the Company to complete the identification of actual kW and kWh savings for Vintage 1 by the Vintage 4 filing.

7. Was the mid-term true-up based on EM&V too aggressive of a target to meet? Please explain why or why not. Please explain whether the Company anticipates being able to fulfill all of the objectives of the mid-term true-up in the Vintage 4 filing. *(Company and ORS)*

**Response:** ORS does not believe that the mid-term true-up based on EM&V was too aggressive of a target to meet. The Company received EM&V reports for most of the save-a-watt programs during 2011, and in the opinion of ORS, could have assembled a complete package of EM&V reports for the mid-term true-up.

Based on statements made by the Company, ORS anticipates that the Company will be able to fulfill all of the objectives of the mid-term true-up in the Vintage 4 filing.

8. Have you identified the root causes for the lack of success for the Residential Energy Assessments Program, the Energy Efficiency Education Program and the Low Income Energy Efficiency & Weatherization Program? If so, please provide an explanation. Please explain whether any common causes exist. *(Company and ORS)*

**Response:** The root cause for the lack of success for each of these three programs appears to be lack of interest, which resulted in low participation. For the Residential Energy Assessments Program, the Company is working to enhance participation by providing a Home Energy Comparison Report that shows customers how their energy usage compares to neighbors with similar homes. For the Energy Efficiency Education Program, the Company appeared to face challenges on getting it introduced into schools and has contracted with a new vendor to roll out a completely revised program at local schools. The Company also plans to roll out a revised Low Income Energy Efficiency & Weatherization Assistance Program, targeting low income neighborhoods rather than individuals. Prior to the revisions, the federal American Recovery and Reinvestment Act funded programs caused duplication with the Low Income Energy Efficiency and Weatherization Assistance Programs.

9. In Paragraph 20 of your application, you state that the Low Income Energy Assistance & Weatherization Assistance Program was not offered to customers. On page 3 of its report, ORS states that program has not been successful. Please explain. *(Company and ORS)*

**Response:** It is the understanding of ORS that the Low Income Energy Assistance & Weatherization Assistance Program was initially offered to customers, but the Company found that participation was extremely low because of competition from programs offered by public agencies (see pages 42-44 of Exhibit C to the filing). As a result, the Company withdrew the program and is restructuring the program for roll out in 2012. ORS understands it will be based on a successful program offered by Progress Energy Carolinas, Inc.

10. Please describe whether the approved save-a-watt programs, considered collectively, are producing the anticipated savings within the anticipated costs. *(Company and ORS)*

**Response:** Considered collectively, the save-a-watt programs are producing the anticipated savings within the anticipated costs. As described in the Evaluation, Measurement & Verification section of the ORS report dated January 10, 2012 and Exhibit 2 to the report, the save-a-watt programs produced more than double the anticipated energy savings while total projected costs were exceeded by only 21%. Overall, the save-a-watt programs are proving to be very successful.

11. What are the Company's plans for the save-a-watt program after the final true-up in year 6? *(Company and ORS)*

**Response:** The Company has not shared its intentions with ORS for the save-a-watt program after the final true-up. However, the Company's resource plan includes a forecast of energy efficiency program impacts beyond the end of the save-a-watt period.

Lastly, the Environmental Intervenors and ORS were in discussions as ORS prepared its responses. The Environmental Intervors have given ORS permission to state they concur with ORS's responses.

Respectfully submitted,



Shannon Bowyer Hudson

cc: Timika Shafeek-Horton, Esquire (via e-mail)  
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